BOONS AND BANES OF FREE SILVER.

I.—"IN THE INTEREST OF SHYLOCK."

BY THE HON. R. P. BLAND, CHAIRMAN OF THE COMMITTEE ON COINAGE, WEIGHTS AND MEASURES OF THE HOUSE OF REPRESENTATIVES.

THE adjournment of the Monetary Conference recently held at Brussels without any definite conclusions or agreements on the silver question is no disappointment or surprise to any one.

The Conference was not solicited by our Government with the view of any serious consideration of the matters involved. It was well known here and abroad that the moving cause of the conference on the part of our Government was to defeat or postpone legislation on the silver question, and to amuse and deceive the people, pending the Presidential election. Able and affable gentlemen met in debate, suggested vague and impossible plans, had a good time, and finally adjourned, expressing the hope that the junketing farce may be repeated in May.

Our delegates were met with the same arguments there that we are at all times regaled with here. These arguments were to the effect that the movement for the free coinage of silver, or any recognition of silver as a money metal is impracticable in view of the fact that the output of silver is so overwhelming as to endanger the stability of values, that our mines can be made to yield silver without limit, that the whole silver movement is prompted by the "Bonanza Kings;" that the people outside of the mining camps who are demanding the free coinage

of silver are lunatics who have not sufficient intelligence to know their own interests; that the government of the United States has loaded itself to the guards with this base metal and now seeks to induce and inveigle the unsuspecting foreigner to help "Uncle Sam" take care of the elephant. We need not go from home to hear these things. We ought not to be surprised that the story is repeated to us by the foreigner. From our own lips we stand condemned.

At last our astute diplomats become very grave and serious and pretend to get mad; they tell these ignorant foreigners that the United States will no longer try to hold the monetary world up by the tail, but will immediately cut the gordian knot in this caudal appendage and let the world drop with a leaden thud.

The unsophisticated foreigner smiles, our gold-standard delegate smirks; both understand that such a conclusion is precisely the thing they have plotted for. Hence the conclusion always arrived at is, that to coerce the unwilling foreigner we must return to the statesmanship of 1873, and again totally discard silver as money.

The trick will not work. Once thoroughly convince Europe that this country will not submit to silver demonetization; let us go to free coinage and the problem will be solved. The European interests here and the commercial importance of this country to them are too great to be ignored. Their self-preservation will compel them to join with us in the full restoration of silver. But so long as they can induce us to adopt a system advantageous to them and disadvantageous to ourselves we will get no encouragement from that quarter on the silver question.

We have had two experiences with respect to the plan of monetary conferences—the one held at Brussels just adjourned and the conference at Paris in 1878, and the second session of the same conference in 1881. The Paris conferences were held in pursuance of Act of Congress of February 28, 1878, the House of Representatives having passed a bill by more than two-thirds majority restoring silver to free coinage. The Senate amended the bill by limiting the coinage to Government account providing that the Secretary of the Treasury should purchase monthly not less than two million, nor more than four million dollars worth of silver and coin it into standard dollars as fast as purchased. The second section of this bill provided, instead of free coinage, that

the question of free coinage should be referred to international agreement, and authorized a conference to be held for that purpose.

The first session of this conference was begun at Paris on August 19, 1878, the second session at the same place April 19, 1881. No definite conclusions were reached or even hoped for at any of these conferences the main object of which was to stem the popular tide for the free coinage of silver in this country; to gain time and the opportunity to go back to the demonetization policy of 1873.

It would require too much space to trace the history of the silver question in this country since the act of February 28, 1878. It is well known that since the Paris conferences, the advocates of the single gold standard have continuously urged Congress to demonetize silver. Every administration has been hostile to silver. The governments of Europe have been repeatedly advised that we intended to discontinue our purchases.

The moneyed interests of Europe and the United States have been in a close league to stop our use of silver as money. They have resorted to every device, to every argument that ingenuity and misrepresentation could suggest, to induce the American people to abandon silver.

The proposition of Mr. Alfred de Rothschild for European governments to purchase annually five million pounds sterling of silver bullion at a price not to exceed 43 pence per ounce for five years, to cease such purchases at any time the price should exceed 43 pence per ounce, illustrates the position of the money power there and here. They do not intend that gold shall fall in value. It is the fall of gold that haunts them as the dreaded spectre of silver restoration.

Should silver go above its present level it would mean that gold had fallen. The truth is that silver bullion will buy as much of commodities to-day as ever; that it has not in fact fallen, for as silver goes down as compared to gold, so do all other things. The rise in silver would, and does, mean the rise of commodities, or, what is the same thing, the fall of gold. This is the true situation. It is not cheap silver they fear, but it is cheap gold they are battling against. They appreciate the fact that a full restoration of silver to its old relation to gold means the fall of gold; that the equalization of the two metals will

be reached by a fall in gold, and that the fall in the value of gold will be greater probably than the rise in silver.

Gold will fall and silver will rise in value, and meeting each other midway the parity is restored. The holders of stocks, bonds and mortgages and fixed incomes are determined there shall be no fall in gold. They must have the best money in the world—but another name for dearest and scarcest money in the world. On this line the battle rages, yet the gold advocates are artful enough to deceive many with the cry of cheap silver. They see gold going up from year to year; they see their pound sterling or their dollar increased in value. These increasing exactions on productive labor to pay their demands, measured by gold, increases from year to year. They shall not escape the logic of this situation by the deceptive slogan of cheap silver.

The Presidential election has passed; this monetary farce has ended; what next? It is hinted very broadly that the gold bugs are active, and that they are not at all satisfied with the present situation. Having defeated free coinage they are emboldened to attempt the total elimination of further silver purchases or coinage. Both the Democratic and Republican parties put the tariff question ahead of the silver question as the paramount issue in the last campaign. Since the election, however, the gold advocates in both parties now claim that the first pressing business for Congress to do is to settle the silver question upon the lines of the gold standard theory. They will be met, as they have heretofore been met, with the demand for the unlimited coinage of silver.

The Chicago or Democratic platform while favoring the repeal of the present silver law also favored unlimited coinage as a substitute. The ratio at which the two metals were to be coined was not fixed, but must necessarily be adjusted by Congress.

The fact that the silver dollar and the gold dollar are of the same value in purchasing power to-day would suggest the present ratio, the ratio practically existing since the formation of our government. The unlimited coinage of silver converts all bullion not otherwise used, as in the arts, etc., into interest-bearing money; the bullion thus utilized restores its value equal to the value of gold bullion, which now has a monopoly of this monetary function. This fact is shown by all past experience and history. The object lesson of nearly four thousand millions of silver money

maintaining a parity with a like amount of gold at 15½ to 1 in the monetary circulation of the world, as well as our own present condition, where we see about four hundred and twenty millions of silver dollars and certificates and a like amount of gold circulating side by side as equivalent, shows conclusively that there is no reason, equity or justice in the demand for more silver in the dollar. It shows also the animus of Mr. de Rothschild's proposition, that by international agreement silver bullion, as compared to gold, shall be doomed to its present degraded position.

The proposition of Mr. de Rothschild means that the ratio to be established by international agreement between gold and silver shall in effect require nearly thirty cents more silver in the dollar than in the present ratio. It means lthat the four thousand million dollars of silver now in circulation must be recoined or rated at a loss of thirty cents in the dollar. This would occasion a contraction of the world's money at one fell decree of one thousand two hundred million dollars. It would mean for us a contraction in our silver money of nearly one hundred and twenty-five millions of dollars. The proposition is monstrous. But it would go much further than this; it would lay the confiscating hand on the product of silver for all the ages to come, by filching and contracting the coining value thirty cents in the dollar, or one-third.

All this is proposed in the interest of Shylock, that his gold shall not compete on equal terms with silver.

As further argument of the question of the ratio I beg to submit an extract from the article of the writer hereof in the NORTH AMERICAN REVIEW, for July 1892, as follows:

In adopting a ratio for ourselves, or by concurrent action of other nations, the ratio of 15½ or our own ratio of 16 should be selected. First, because it is the ratio, or it approaches the ratio, that has existed in the commercial world for centuries, and at which the coined gold and coined silver of the nations circulate at par in the countries where coined. Secondly, this is about the average ratio at which the nations of the world coin gold and silver into legal tender money. Thirdly, it is near the relative amount in weight of the existing coined stock of the two metals.

The Director of tbe Mint gives the amount of gold money in the world at $3,711,845,000, of silver $3,939,578,000. Of this amount in silver he estimates $544,166,000 to be subsidiary or limited tender. This estimate is made upon the nominal value of the silver coins at the ratio or coining value of silver in the different countries where the stocks of silver money exist. Hence the average of full legal tender for silver would be about 15½ in weight of silver to 1 of gold. The limited tender or fractional silver would

be about 14 of silver to 1 of gold. So that it is apparent that the amount of silver money in the world is about 15½ times as great per weight of metal as that of gold.

If we take the product of gold from 1873 to 1891, as shown by the Director of the Mint last winter in hearings before our coinage committee of the House of Representatives, we find the product of gold in fine ounces to be about 98,606,925, and that of silver 1,512,174,000 in fine ounces. This shows a ratio of production per weight in fine ounces of about 15½ of silver to one of gold. The facts above show that of the gold and silver money throughout the world the ratio per weight of metal is about 15½ to 1.

The product from 1873 to the present time is about 15½ ounces of silver to one of gold, so that 15½ seems to be near the natural ratio. The fact that for the last four or five years the annual product of silver at this ratio has been greater than the product of gold does not mitigate against the argument. A series of years should be taken. The mines may, in a short time, show a greater product of gold than of silver. Even the occurrence of a disproportional product of one or the other of these metals for a series of years, as, for instance, of gold in excess of silver during the large output of California, and Australia, fails to disturb the plan of 15½. The annual product constitutes too small a per cent. of the vast stock of metals on hand to cause any perceptible fluctuations in values. The equity of contracts the world over demands 15½ or 16 as the ratio; since the coined silver money of the world rests at about these rates, and the debts of the world were and are contracted to be paid on this basis, it would be a robbery of debtors to demand more silver in the dollar. It would be unjust to debtors as well as to the welfare of future generations to limit the monetary functions of silver by increasing the amount of silver in the dollar. To first demonetize silver for the purpose of precipitating a rise in gold as compared with silver, and to seize upon this flagrant wrong as an excuse for readjusting the ratio in the interest of the money lenders of the present and the Shylocks of the future, ought not to be tolerated.

The late Secretary Windom, on page 73 of his report for 1887, well remarks in this connection: "The paramount objections to this plan, however, is that it would have a decided tendency to prevent any rise in the value of silver. Seizing it at its present low price the law would, in effect, declare that it must remain there forever, so far as its uses for coinage are concerned."

I was not an advocate of the enactment of the present silver law; on the contrary, I opposed it. First, because no compromise or makeshift was likely to satisfy the expectations of the people or do justice to them. Again, the law is based upon a wrong principle. But it is the only recognition of silver we have. It is a connecting link between total demonetization and free coinage, hence its repeal without other enactment will not do. Its enforcement will in time compel us to free coinage in order to maintain the value of our silver. Seeing this condition, the gold party are determined to stop the further accumulation of silver. On these lines the battle is to be fought.

If silver is not suitable for a place in our monetary system as a standard of money, the equal of gold, not a dollar of it ought to be coined. If it is a base metal, as Senator Sherman claims, and belongs to the category of nickel, copper and steel rails, we should say so in our statute books and relegate it where it belongs. Will Congress take this view of it? Will the people permit the total destruction of silver as a money metal? These are questions that must be answered.

The repeal of the present law without at the same time substituting some other recognition of silver as having a permanent place in our system as a money metal will, of course, mean its abandonment and final demonetization.

Will any political party take such a responsibility upon itself? If so, what class of the American people will it afterwards look to for support? From what quarter of the country will it receive the encouraging words: "Well done, good and faithful servant?" From what part of the laboring and producing masses of our people would it appeal to as the conservator and guardian of their interests?

But more aptly the question may be asked: What part of our land has it selected for its final resting place? Is it ready to join the bleeding cohorts and discomfited knights of the Force Bill?

R. P. BLAND.

II.—A WARNING TO SAVINGS BANK DEPOSITORS.

BY JOHN HARSEN RHOADES, PRESIDENT OF THE GREENWICH SAVINGS BANK, NEW YORK.

"TO BE forewarned is to be forearmed," and it may be well, at a time when the question of the ability of the Government to maintain, under existing laws, a parity between gold and silver is being freely discussed in financial circles, and grave fear is entertained that as a result of the continued large monthly purchases of silver bullion the day is not far distant when we must face a premium on gold, to consider what effect this parting in value from the existing ratio between gold and silver will have

upon the savings banks throughout the country, and upon depositors themselves, who number in this State alone one million and a half, and in the aggregate throughout the country at least four millions of population, with deposits amounting to over seventeen hundred millions of dollars.

Savings Banks (certainly in the Eastern and Middle States) are purely benevolent in their character, having no capital and issuing no stock, and are managed by Trustees, who give their time and judgment gratuitously to the work on behalf of the best interests of the people at large. In charge, therefore, of a great and beneficent trust, with all the moral responsibility which properly attaches itself to their work, when it is considered that the moneys deposited are the property and to a large extent constitute the hard-earned savings of the laboring classes, these Trustees are bound to exercise at all times great caution. Their management must be thoroughly conservative in its character, and no personal motive should sway their judgment or control their action. What, then, are the issues which, under the existence of a premium on gold, they are called upon to meet?

As a rule these banks are under close State supervision and governed by well-regulated general laws restricting investments to those which offer the greatest security to the depositor, in addition to which they are in possession of strong reserves in surplus earnings created through the operation of the laws which govern their management. In consequence of this there are no depositories in the country for the savings of the masses in which the risk of loss has been reduced to so low a minimum; but the class of people for whom the banks for savings are intended are often ignorant, easily alarmed, and when alarmed become panic-stricken, and there is danger that with a premium on gold there will come to the depositor a sense of loss upon his savings. Knowing neither the "why nor the wherefore" he will, in the excitement of the hour, seek to obtain possession of his deposits in the expectation that he can thus avert a loss. The deposits, once obtained, are generally unwisely expended or invested in doubtful securities; while if allowed to remain until the era of inflation is over and the premium on gold has disappeared, they could be returned to him in a currency fully equal to if not superior to that in which the deposit was originally made. The known strength of the

institutions themselves, coupled with a prompt strengthening of cash reserves, and every effort made to allay excitement, will in all probability prevent disastrous consequences; but the danger exists, and shows one phase of the tremendous shock to credit which the mad race for unrestricted coinage now in progress will produce, unless stopped in time.

In this State alone savings banks have two hundred and sixty millions of dollars loaned upon real estate, known as bond and mortgage loans. There are but few of these mortgages so held which contain an agreement to pay the principal in gold or its equivalent when payment is demanded, after becoming due and payable. What, then, is the duty of those who manage these institutions? Shall these mortgages when past due be called in for payment, or a "gold clause" insisted upon as a measure of precaution both in reference to those held as well as to future investments in this class of property? If so, then a serious derangement in the rates of interest paid, and, to a certain extent, in the value of real estate itself must ensue, and on no class of the community would this derangement fall heavier than upon the farmer, who, at best, finds it difficult to secure permanent loans upon his property.

Whatever rule is adopted by other leading financial institutions in the country will, in all probability, be followed by the savings banks, and the extent of the precaution, if exercised, will be determined by the exigencies of the occasion as they may arise; but the question is a serious one and on its decision rests the welfare of a large number of that *debtor class for whose financial aid free coinage is invoked.*

Among the assets of the banks probably more than three hundred millions are invested in securities which contain no provision requiring the principal when due to be paid in gold coin; and in reference to these, and especially those maturing at an early date, a decline in market value must necessarily ensue, greater or less, as the date of maturity is close at hand or in a somewhat distant future. But the surplus earnings now held by the banks are far more than sufficient to meet any possible decline in values which may arise in the direction named; while as to future investments, the demand for what is termed "gold loans" and the lower rate of interest obtainable thereby, would undoubtedly induce municipalities and corporations to embody such an agreement in all future loans offered to the public.

But beyond all these questions which affect the assets of the banks, there is another question far more serious in its character, and that is: How will the depositor himself be affected through a premium on gold? Deposits are received and must be paid in the currency of the country, whatever the circulating medium may be at the time of payment. The amounts withdrawn annually from the banks in this State aggregate one-third of the entire sum on deposit, or an average total of one hundred and ninety millions of dollars; and this percentage, or at least one-fourth, may be set down as the rule when applied to the country at large.

The experience of the past has proved beyond question that the existence of a currency not on a par with gold produces inflation in the values of all property, both real and personal—the greater or less as the breach widens or narrows between the two, and accelerated if the separation is coupled with continued new issues of that which is of a lesser value.

In the presence of these facts the depositor, whose only property is generally the savings which from year to year out of small earnings he has laid by for future need, will find himself compelled, as from time to time he withdraws his deposits, to receive in payment therefor a currency, the purchasing power of which is steadily decreasing as the premium on gold increases. In other words, which practically means the same thing, his rent, clothing, furniture and food, which go to make up nearly all the necessaries of life, will cost him more, though subject to those fluctuations in value which arise from short supply, over-production and improved methods of production, for the reason that under all conditions he will be compelled to purchase at *currency prices* which must be in excess of those obtainable in *gold coin*, while during the progress of inflation, his wages already high will not advance in anything like the same proportion as do those necessaries of life which are needed for his support. The result of this will be that his ability to save will lessen until it has ceased entirely, while the burden of support will rest a heavier load than ever upon his shoulders.

And if this be true while inflation progresses, what must the result be when the time comes—*and come it will*—when the fever has exhausted itself and returning reason leads back to a sound and stable currency? Then with declining values and a de-

pressed condition of trade he will find himself once more the victim of circumstances and for the time being be compelled to accept reduced compensation and irregular periods of employment. As all wealth springs from the soil, so do all fluctuations in value pulsate back to the source from which they came, and "he who earns his bread by the sweat of his brow" while through conditions of general prosperity or increased returns for his labor, shares in the gains, is both unprepared and powerless to protect himself from losses when they come, and which, with resistless force, bear him to the ground.

As a nation we are great and strong, rich and prosperous, fertile in resources and patriotic to the core. We can and do stand much bad legislation, and rally quickly when stricken down; but the poison of inflation is in our blood, doing its deadly work, and nothing remains for us but to hope and believe that the "common sense" of the American people, which is at once our glory and our pride, will make its voice heard and heeded in the counsels of the nation before it is too late, and we are forced to learn, through bitter experience and at material loss, the lesson which history can teach, but to which we seemingly give no heed.

JOHN HARSEN RHOADES.

III.—A DEPOSITOR'S POINT OF VIEW.

BY A DEPOSITOR IN A SAVINGS BANK.

I AM a clerk in a store up town earning $25 a week. I have a wife and two children and I have just $1,500 saved up. The way I became possessed of all this money was as follows: Whatever my salary was I put one-quarter of it away each week in the savings bank, and then my wife and myself scratched around and tried to save as much out of the balance as we could.

Now the day our savings should reach the sum I have mentioned, we had resolved to commemorate the event in a becoming manner, so we ordered a nice little dinner at a restaurant around the corner from where we lived, and took seats for the play afterwards.

I think it was the Egyptians who invariably had a death's head introduced at their feasts to prevent their becoming too happy. Alas, we didn't need one at ours, as matters turned out. While we were in the middle of our entertainment we became attracted by a discussion between two gentlemen seated at the nearest table. They were evidently just finishing their meal, and when they rose to go one of them emphatically gave utterance to the following remark: "I don't know what other effect it will have," he said, "but I tell you this, if the Sherman act is not repealed very quickly there isn't a bank in the country that's safe." Now I vaguely knew that the Sherman act was connected with the silver question, but the silver question had heretofore had no more interest for me than the diamond question of South Africa might have. If the silver question could affect the banks, however, or more particularly the savings banks, it brought matters home to me.

All through the remainder of our meal the man's remark kept ringing in my ears. It sounded as a distinct note of warning and quite cast a damper on our anticipated pleasure at the play. Please don't laugh at our anxiety, but any reflection that our $1,500 was unsafe after we had it in the bank was not a pleasant one. God knows we had deprived ourselves of enough to lay by that money ; we had pinched and saved and scrimped and, after all, it was only that we should have provision against a rainy day. Nevertheless, we filled out the programme for the evening, though it was in a somewhat perfunctory manner, resolving that we would leave till the morrow an investigation of the chance words we had heard.

The next day after business hours I asked for an interview with the head of the firm where I was employed, and by way of preliminary had a talk with him on the subject of the silver question generally.

The gist of his opinion was that if the government did not repeal the Sherman act, or issue bonds to counteract the flow of gold out of the country, too little gold would remain ; gold would then rise to a premium and we would slide on to a silver basis before we knew it. He thought, however, the banks were prepared for the emergency. Thus I did not seem to have much cause for alarm ; my salary was pretty sure, and if the banks did not fail my money also was secure. All the same, however, I

thought I would go over and talk with the president of the bank where I had my savings. I was received very politely; not at all in the toploftical way I had anticipated. He reiterated what the head of my firm had told me. "Even if gold should go to a premium," he said, "we are prepared, and I do not anticipate that there would be any monetary stringency during the transition."

"How high, sir," I asked, "do you think gold would go if it did rise to a premium?"

"Well, it might go, and probably would go, to a point that would mark the difference between the actual value of gold and silver."

"What is that difference?"

"Well, a silver dollar could be produced now, I think, if the truth were known, for about thirty-three cents in gold; therefore, gold might go to a premium of about three hundred per cent."

"Well, now, Mr. President," I asked, "how about the money I've got in bank? Suppose gold had gone to such a premium and I wished to draw out the money, would I get paid my fifteen hundred dollars in gold?"

He smiled. "I hardly think that would be possible," he said.

It came upon me like a flash. I would get my fifteen hundred dollars in silver, or in a currency worth two-thirds less than I had put in. In other words, I had put fifteen hundred dollars in the bank, and would take out a sum, measured by the same standard of value as my deposit, equivalent to about five hundred dollars only.

"Give me my money right away," said I, "I'll withdraw it before gold does rise to a premium."

"What will you do with it?" said he.

"Aren't there gold bonds or mortgages paid in gold—that I could invest it in?" I asked.

"Certainly," he replied, "but if you bought these, and gold rose to the point I mentioned, it is probable, or say possible, few companies could meet the strain and pay either interest or principal in anything else than legal tender. So you would be no better off, or at most have an expensive lawsuit on your hands to compel them to fulfil their obligations.

"What shall I do to be secure, Mr. President?" Then I told him how hard both my wife and myself had struggled to put by

that money; how many deprivations it represented—how many little pleasures had been postponed and given up; that neither parsimony or miserliness had anything to do with its acquisition, but only my health had not been over-good and we recognized the necessity of having something secure against a day when I could no longer attend to my business.

He seemed touched by my story.

"The only absolutely safe plan," he answered, "is to buy gold before it goes to a premium, and we can keep it for you in the vaults here. The sole risk you would run is the loss of interest should gold remain as it is."

"One more question, Mr. President. What do you think are the chances that gold *will* remain as it is?"

"Confidentially, I think they are very slim, unless Congress repeals the Sherman act. The business of the country was never better, but it cannot stand the continuation of the purchase of four millions of silver per month." My mind was made up.

It was certainly a hardship to lose the interest on my money, but I could afford to lose that better than to suffer a big cut in my capital, so I made the exchange and deposited the gold in the vaults.

At last I felt secure, but the anxiety I had gone through awoke my interest in this silver question and the real danger to the community should the Sherman act not be repealed. I thought about it day and night—no longer in my own interest, but in its bearings on others situated like myself, and the more I thought of it the wider seemed to grow the possibilities of evil.

All these people who have put by a little money may one of these days wake up and find, not only their capital, but their interest, cut down by two-thirds the value. Every one who has bought a few shares of stock or a railroad bond may find his interest paid in a commodity worth one-third of what he had counted on receiving. Every one, too, who has been paying a premium on his life in good money may expect his family to find themselves on his death in possession of a policy equal in value to one-third of what they had the right to expect. Every old soldier who draws a pension (there are some who deserve them), every one engaged at a salary in every business, every government employee and the recipient of trust funds, will receive his or her quota,

interest, or salary in a depreciated coin. The more I thought of it the madder I got. It is the poor man's money, say the silver-people. The poor man's money, forsooth! Just think of the satire of it. These silver-kings making obligations to themselves payable in gold, forcing the Government to buy up four millions a month of the output of their mines to sustain the price, and then calling silver the poor man's money! It is the poor man's money in this way: that it is liable to make any one three times poorer than he now is who gets paid in it, and that is all there is about it.

DEPOSITOR IN A SAVINGS BANK.